

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 278 - HB 974**

March 17, 2013

**SUMMARY OF BILL:** Transfers contested case hearings under the jurisdiction of the Department of Revenue (DOR) to the Secretary of State (SOS). Requires any administrative judge or hearing officer positions currently filled in DOR to be transferred to the SOS.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$94,000/Recurring**

**Increase State Expenditures – \$23,500/One-Time  
\$330,000/Recurring**

**Other Fiscal Impact – Five positions, as well as \$330,000 in recurring funding, will shift from the Department of Revenue to the Secretary of State beginning in FY13-14.**

**Assumptions:**

- Based on information provided by SOS, DOR has approximately 15 contested case hearings on an annual basis. The number of informal conference hearings is approximately 375. These numbers are assumed to remain constant in subsequent years.
- An additional 80 denials would result in a hearing. A total of 470 hearings (375 + 15 + 80) per year.
- According to the Secretary of state, an average fee of \$200 is charged on each case filed.
- A recurring increase in state revenue of \$94,000 (\$200 fee x 470 cases).
- Based on information provided by DOR, five positions will shift from DOR to SOS. These five positions are the equivalent of two Hearing Officer 2 positions, two Hearing Officer 1 positions, and one Legal Assistant position.
- Based on information provided by DOR, the shift of recurring funding from DOR to SOS for these five transferred positions will be approximately \$330,000 (\$222,000 for salaries, \$108,000 for benefits).
- There will be a one-time increase in state expenditures of approximately \$23,500 for providing computers, software, and communications for the five transferred employees once employed by the SOS.
- Based on information provided by DOR, this bill does not explicitly eliminate the informal conference process conducted by DOR. Pursuant to Tenn. Code Ann. § 67-1-

1801(c)(3), the taxpayer shall have the right to an informal conference with the Commissioner of Revenue to discuss assessments and to present such matters as may be relevant to the assessment; provided the written request for such conference is made within 30 days from the date of the notice of an assessment.

- Given that taxpayers could still request an informal conference hearing pursuant to Tenn. Code Ann. § 67-1-1801(c)(3), DOR will require five replacement positions in order to comply with this section of law. As a result, the Department will require appropriations for the replacement positions. The recurring increase in state expenditures will be \$330,000 (\$222,000 for salaries, \$108,000 for benefits). There will be no one-time state expenditures associated with the replacement positions because the Department will have retained computer and software resources relative to the transferred positions.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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